

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

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E.O. 11652: GDS

TAGS: PINT, SA

SUBJECT: CORRUPTION IN SAUDI ARABIA: NORTHROP

REF: JIDDA 3940

1. CHURCH SUBCOMMITTEE'S CURRENT PLANS INCLUDE HEARINGS WITH NORTHROP WITNESSES ON JUNE 9 AND 10, TO BE FOLLOWED BY EXECUTIVE BRANCH WITNESSES JUNE 23. ITS LEGISLATIVE FOCUS THUS FAR HAS BEEN ON ALLEGED ILLEGAL POLITICAL CONTRIBUTIONS OVERSEAS BY U.S.-BASED MULTINATIONALS. NORTHROP HEARINGS COULD VERY WELL CAUSE SUBCOMMITTEE TO BROADEN ITS FOCUS TO INCLUDE PAYMENTS SUCH AS THOSE MADE BY NORTHROP TO KHASHOGGI.

2. COMMITTEE STAFF TELLS US THAT THERE IS NO INTENTION OF HEARING REPRESENTATIVES FROM LOCKHEED OR RAYTHEON, BUT IN THE DOCUMENTS SUBMITTED BY NORTHROP, THERE ARE REFERENCES TO LOCKHEED'S ARRANGEMENTS WITH SAG, INCLUDING
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DISCUSSION OF AGENT FEES. NORTHROP APPARENTLY CITES LOCK-

HEED'S ARRANGEMENTS TO JUSTIFY ITS OWN PRACTICES. IT IS NOT CLEAR YET HOW MUCH OF THE NORTHROP DOCUMENTATION WILL BE PUBLISHED IN THE COMMITTEE REPORT. THUS, IT IS NOT CERTAIN THAT ANY REFERENCES TO LOCKHEED'S FEES AND THEIR RECIPIENTS WILL SURFACE. SENATOR PERCY, RANKING MINORITY

MEMBER, WILL DO WHAT HE CAN TO LIMIT THE APPEARANCE OF SPECIFIC NAMES OF ALLEGED RECIPIENTS OF KHASHOGGI AND OTHER PAYOFFS. PERCY STAFFER OPINES THAT, ON BALANCE, SAUDI GOVERNMENT EMERGES RATHER WELL FROM THE NORTHROP DOCUMENTATION. INSTANCES ARE CITED IN WHICH SAG PUNISHED INDIVIDUAL OFFICERS FOR ACCEPTING FEES, AND FAISAL'S PHILOSOPHY ON CONTRACTUAL PAYMENTS AND AGENT FEES EMERGES AS DIGNIFIED AND FAIR. USG, PARTICULARLY DOD, ALSO EMERGES ON BALANCE RATHER WELL, ACCORDING TO THIS STAFFER, WHO SAID DOD CONSISTENTLY REFUSED TO PROVIDE AGENT FEE PAYMENTS ON THE GROUNDS THAT, IF THE SAUDI GOVERNMENT CHOSE TO PAY ONE OF THEIR OWN CITIZENS A FEE, THAT WAS THEIR BUSINESS, BUT DOD WOULD NOT BE BILLED FOR IT.

3. WE MADE POINT TO PERCY STAFFER AND TO CHURCH'S CHIEF OF STAFF THAT UNVERIFIED REVELATIONS AS TO EVENTUAL RECIPIENTS OF "PAYOFFS" WOULD BE DAMAGING TO OUR RELATIONS IN IMPORTANT AREA OF THE WORLD. THIS POINT SEEMS TO BE APPRECIATED, BUT NORTHROP'S OWN DOCUMENTS WILL HAVE AN IMPORTANT IMPACT ON THIS DECISION.

4. ALTHOUGH THERE IS NO DIRECT RELATIONSHIP BETWEEN CHURCH HEARINGS AND KENNEDY BILL ON ARMS SALES TO GULF, CONCERN ON THE HILL ABOUT GULF ARMS POLICY IS FUELED BY WIDESPREAD FEELINGS THAT GULF GOVERNMENTS ARE VARIOUSLY UNSTABLE, CORRUPT, OR DESPOTIC. REVELATIONS LIKE THOSE WHICH MAY BE MADE ABOUT THE NORTHROP, RAYTHEON, AND LOCKHEED PAYMENTS MAY INDEED ENCOURAGE POTENTIAL SUPPORTERS OF KENNEDY-TYPE RESTRICTIONS ON U.S. ARMS SALES IN THE GULF.

5. WE HOPE TO HAVE MORE ON THE SUBCOMMITTEE'S PLANS IN THE NEXT DAY OR SO, AND WILL KEEP YOU POSTED.

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